

CITY OF WEST CHICAGO

WHERE HISTORY & PROGRESS MEET

FINANCE COMMITTEE

**THURSDAY, JULY 22, 2021
6:00 P.M. – COMMITTEE ROOM A**

AGENDA

1. Call to Order, Roll Call, and Establishment of a Quorum
2. Approval of Minutes
 - A. Finance Committee Meeting Minutes of June 9, 2021
3. Public Participation / Presentations
4. Items for Consent
5. Items for Discussion
 - A. Central Main Street Project – Blocks 3 and 4
6. Unfinished Business
7. New Business
8. Reports from Staff
9. Executive Session (if needed)
10. Adjournment

MINUTES

FINANCE COMMITTEE

June 9, 2021

1. Call to Order, Roll Call, and Establishment of a Quorum.

Alderman Dimas called the meeting to order at 6:00 P.M. Roll call found Aldermen Dimas, Swiatek, Sheahan, Stout and Morano present. Alderman Chassee and Dettmann were absent.

Staff in attendance: City Administrator Michael Guttman and Administrative Services Director Linda Martin.

2. Approval of Minutes

A. Finance Committee Meeting minutes of September 22, 2020

B. Finance Committee Meeting minutes of December 10, 2020

Alderman Swiatek moved and Alderman Sheahan seconded a motion to approve the minutes. Voting Aye: Aldermen Dimas, Sheahan, Swiatek, and Stout. Voting Nay: 0. Absent: Alderman Chassee and Dettmann. Abstain: Alderman Morano. Motion Carried

3. Public Participation / Presentations

Monica Danske, Audit Manager, representing auditing firm Lauterbach and Amen gave a presentation and noted the highlights of the 2019 Audit. Monica noted the Certificate of Achievement for Excellence in Financial Reporting awarded to the City, which is an award of the highest level of reporting in government. She also pointed out that the management letter had nothing to report, as there were no issues with the 2019 Audit. Monica thanked Linda Martin and Nikki Giles for their assistance in the preparation of the audit as it involved many hours outside of the normal work day.

4. Selection of Committee Chairman and Vice Chairman

Alderman Swiatek nominated Alderman Dimas as Committee Chairman of the Finance Committee with a second by Alderman Stout. The nomination was approved by a voice vote.

Alderman Dimas nominated Alderman Chassee Committee Vice Chairman of the Finance Committee with a second by Alderman Stout. The nomination was approved by a voice vote.

5. Items for Consent

A. Resolution No. 21-R-0046 – First Amendment to the IGA with Crest Hill Investment LLC

B. Resolution No. 21-R-0047 – Updated EIA with OSI Industries, LLC

Alderman Swiatek moved and Alderman Morano seconded a motion to approve the Consent Agenda. Voting Aye: Aldermen Dimas, Sheahan, Swiatek, Stout, and Morano. Voting Nay: 0. Absent: Alderman Chassee and Dettmann. Motion Carried

6. Items for Discussion – None

7. Unfinished Business – None

8. New Business - None

9. Reports from Staff

City Administrator Michael Guttman informed the Committee that interest was received from Jel-Sert to relocate their Aurora warehouse to a West Chicago location if a tax abatement was made available. He also said that Suncast would like to relocate their manufacturing and open a new warehouse operation next to their current location if a tax incentive was presented.

Alderman Dimas thanked Administrative Services Director, Linda Martin, and Assistant Administrative Services Director, Nikki Giles, for their work on the 2019 Audit.

10. Executive Session (if needed) – None

11. Adjournment

Alderman Stout moved and Alderman Morano seconded a motion to adjourn at 6:10 p.m. Voice Vote: All Aye. Absent: Alderman Chassee and Dettmann.

Respectfully submitted,
Josie Avilez

CITY OF WEST CHICAGO

FINANCE COMMITTEE AGENDA ITEM SUMMARY

ITEM TITLE:

Scannell Downtown Apartments / Financing Discussion

AGENDA ITEM NUMBER: 5.A.

FILE NUMBER: _____

COMMITTEE AGENDA DATE: July 22, 2021

COUNCIL AGENDA DATE: _____

STAFF REVIEW: Tom Dabareiner, AICP

SIGNATURE 

APPROVED BY CITY ADMINISTRATOR: Michael Guttman

SIGNATURE _____

ITEM SUMMARY:

Project Description: Scannell's proposed development spans Blocks 3 and 4, as defined in the City's *Central Main-Street Redevelopment Plan Update* (2018). The project envisions the construction of a four (4) story luxury apartment complex, comprised of 225 residential rental units ranging in size from 550 to 1,100 square feet, 4,500 square feet of first floor commercial space, and a parking garage. Rent rates for the apartments are estimated to average \$2.13 per square foot, which is comparable to similar projects in Wheaton (Wheaton 121), Winfield (Winfield Station Town Center), and Lisle (Avant at the Arboretum), among others. The total cost of construction is approximately \$49,000,000.

Project Financing: The existing financial gap for the project is estimated to be **\$9,495,848**. To fill this gap Scannell has proposed the following three items: (1) Issuance by the City of Series "A" bonds; (2) Issuance of Series "B" bonds; and, (3) permit fee waivers. Both bonds would have a 20-year life.

Series "A" Bonds

- Issuance up front of **Series "A" bonds** to help the developer meet their required rate-or-return (7.38%). This bond issue would total **\$6,000,000** and could be tax exempt, depending upon the language in any redevelopment agreement, i.e. financial guarantees provided to the City.
- Secured by 70% of incremental TIF revenues generated by the Project, *after* statutory school and library payments. (It is important to note that the potential *maximum* annual statutory school and library payments are equal to 32% of the property tax increment generated by the Project each year, and that the actual amount of such payments will be determined based upon documented evidence of the number of new students actually residing in the Project. To the extent that student generation is less than the statutory maximum, then the City should negotiate that the savings accrue to the City's TIF fund for use by the City, rather than to the developer).

- While Scannell has indicated its willingness to enter into a minimum tax agreement ensuring sufficient tax increment will be available to service the Series “A” Bonds in order to mitigate the City’s risk associated with these bonds, bond counsel has advised that such a guarantee would preclude tax-exempt status for the bonds.

Series “B” Bonds

- The City will issue **Series “B” bonds of \$2,800,000** up front to be purchased by Scannell.
- While the developer has proposed that this bond issue be sized to ensure capture of all remaining tax increment following the school and library allocations and the servicing of the Series “A” Bonds, the City should require that any tax increment remaining after school and library payments accrue to the TIF fund for the City’s use. That is, should school and library payments be 25% instead of 32%, the City would earn the seven percent difference.
- The Series “B” bonds will be subordinate to the Series “A” bonds, to be secured by 30% of incremental TIF revenues generated by the Project, after statutory school and library payments, and after payment of Series “A” bonds. Should the revenue derived from the TIF increment be insufficient to cover any or all of the debt service on the Series “B” bonds, Scannell becomes responsible for their repayment, or they receive no repayment as they are they hold all of the bonds.

Permit Fee Waivers

- **Fee waivers** to the extent possible to cover the remaining **\$700,000 gap**. The City has not estimated its building fees for this project yet and the developer is ready to accept less should permit fees total less than the \$700,000.

Additional Commentary

- Scannell will provide all necessary debt and equity financing to complete the project. They will secure about \$40,000,000 in private financing for the project, entirely at their own risk.
- In addition to the risk associated with private financing, Scannell also risks the inability to get paid back in full on the Series “B” bond.
- KMA, who assisted with the analysis, claims to have used very conservative parameters when estimating TIF increment and student/library fees.
- The City can set the terms of the bonds. The 20-year period attempts to balance annual increment revenue generated with bond and school/library expenditures. A ten-year bond would cost more annually than the City is expected to gain in TIF increment, while a 30-year bond is less attractive and stretches beyond the life of the TIF.
- If the Finance Committee concurs in general with the approach described herein, the developer will make a presentation to the Development Committee to review site and building design concepts.

ACTION PROPOSED:

Consideration and discussion

COMMITTEE RECOMMENDATION: